



IV Quarter 1998 Report

TO: Neal Cohen, COTR, SO4, USAID South Africa

FROM: Michael Anderson, Chief of Party

SUBJECT: IV Quarter 1998 Report

This report documents progress of SEGA and MESP activities over the fourth quarter of 1998. It covers the work of the entire SEGA/MESP team. There are four major areas of activities covered by the SEGA/MESP project

- The Mandela Economics Scholars Program (Jacci Conley)
- Support to Government
 - Short-term training (Jacci Conley)
 - In-Country training (Jacci Conley and Roland Mirrilees)
 - Technical Assistance & Research (Michael Anderson and Roland Mirrilees)
- The University of the Western Cape, Center of Excellence (Roland Mirrilees)
- Grants Management (Sury Pillay)

General administration issues are reported by Jacci Conley

Significant progress has been made on almost all of these activities as will be indicated below. We would like to highlight

- The selection of 15 MESP participants for the 1999 intake;
- The successful completion of Intergovernmental Financial Relations training course, University of Cape Town School of Business; Cape Town, November 14-28, 1998;
- The initiation of SEGA's first RFA in November, 1998;
- The initiation of the Monitoring and Evaluation restructuring activity;
- The successful completion of the 1st WTO training seminar;
- The successful completion of the 1st Economic Literacy Workshop;
- The approval of nine new and one revised activity by the SEGA Operations Committee;
- The Curriculum and Work plan Workshop held at the University of the Western Cape

An activity to revise SO4's monitoring and evaluation indicators was initiated in November. Nathan Associates consultant, Ken Smith, teamed up with Peter Kurungo,

from Macro International and proposed a new method to combine both quantitative and qualitative indicators for a more effective and flexible approach to M&E. Mr. Kurungo is continuing with this work to develop the most appropriate indicators (attributes) for each IR. This work should be concluded during the first quarter of 1999.

Mr. Aboobaker Chief Director: Economic Development Sectors, Co-Ordination and Implementation Unit, Office of the Deputy President has been appointed the new head of the SEGA Operations Committee. Nathan Associates has requested his participation of in the development of its annual seminar series. He has suggested the theme of the regional impact of public infrastructure investment.

MANDELA ECONOMICS SCHOLARS PROGRAM ACTIVITIES

During this quarter, the SEGA/MESP project team reviewed all applications for the 1999 MESP scholarship program that met the deadline for submission.

A short-list of approximately 49 candidates to present to the MESP Operations Committee was prepared by the SEGA/MESP core team with suggestions about those candidates to interview. Because several applications were received via the mail after the initial short-listing process, the Committee recommended that a second short-list take place to incorporate additional criteria and include all applications received in order to determine approximately 30 candidates to attend in-person interviews. This second round of short-listing was conducted by the USAID/South Africa COTR, the SEGA/MESP Chief of Party, the project's Senior Economist, and the Nathan Associates Senior Vice President who was in country on other project business.

The final short-list included 32 candidates who were interviewed during the week of November 2-6, 1998 at the Esselenpark Conference Centre in Kempton Park. One MESP Selection Panel consisting of a representative from the Department of Education, who served as Chairperson, the Department of Finance, the University of Pretoria, the Development Bank of Southern Africa, USAID/South Africa, and SEGA/MESP conducted all interviews during this week. Several representatives were unable to participate at the last minute therefore having a selection panel of six instead of 9. Candidates traveled from throughout the country and 16 finalist were selected.

The interview process concluded with a panel discussion of each candidate immediately afterwards to assist the panel in arriving at a consensus. During these discussions, many useful comments arose that in future need to be recorded to assist with placing candidates. The panel suggested that in future, a "scribe" participate to document, record, and track comments and votes of each panel members. Candidates were given a grade A-C (including pluses and minuses) which assisted the final selection process.

Subsequent to the interviews, candidates were informed by telephone of their selection and meetings were scheduled with them and their supervisors, where applicable. These meetings were conducted by the Aurora Associates US-based MESP Project Manager and the in-country MESP Project Coordinator who traveled to

Cape Town and Durban to meet with finalists as well as to Johannesburg and other locales or the meetings were conducted in the SEGA/MESP project office.

One candidate who requested a Ph.D. program and was approved by the Selection Panel to enter into a Masters Degree Program only, declined the scholarship. Therefore, the final 1999 candidate list includes 15 MESP scholars.

Preparations were made for scholars to take the Graduate Records Exam (GRE) at the three sites—Cape Town, Durban, and Johannesburg—prior to the Christmas holidays to enable the U.S. placement process to begin. In future, more time is needed to allow scholars prepare for this exam. Although the recruitment and selection process began earlier with this round, additional time was needed for those candidates selected to prepare for the GRE. A Peterson's GRE Workbook was given to each candidate, who attended an interview, however, most did not begin preparing until they were informed of their selection. The exam was administered between December 8 and December 18. One candidate had already taken the GRE by the time the interview was conducted. This individual received a quantitative score of 800. Unfortunately other candidate's scores received so far have been much less. However, consideration ought to be given to preparation time and technique—did each individual have the benefit of GRE preparation courses and/or more time to utilize the workbook or did they have access to GRE preparation via the Internet? In addition to the workbook, SEGA/MESP provided software from the Educational Testing Services (ETS) to assist with GRE preparation. This was provided to those scholars with access to the Internet or who had some time to prepare for their test date.

Plans will begin for the pre-departure orientation early in the next quarter. The Selection Panel and MESP Operations Committee suggested that candidates have a walk-through of the various government departments prior to their departure in May 1999. However, in order to facilitate a process whereby scholars are informed of employment options/possibilities and can, thereby, establish mentoring relations, representatives from the various departments will be asked to attend the pre-departure orientation this year. Scholars were informed during their interviews as well as during the subsequent meetings that a mentor needs to be selected—this could either be a former professor or current supervisor—someone to keep them abreast of current affairs in their specified area of interest. (Progress Ranking 5)

SUPPORT TO THE GOVERNMENT: SHORT-TERM TRAINING

The SEGA/MESP short-term training programs in the United States are ongoing. During this quarter, activities initiated during the previous quarter were finalized. These include the following activities that were completed.

STT 003 Financial and Economic Management-PIO/P 674-0321-1-80277 (Gordhan) and 674-0321-1-80300 (Ngoasheng)

1. Program Title, Training Provider, Location, and Dates
 Financial Analysis, University of Pennsylvania, The Wharton School, Philadelphia, Pennsylvania. September-December 1998.
2. Name, Affiliation, Number of Trainees

Mr. Ketso Gordhan, Ministry of Transportation
Mr. Moses Ngoasheng, Office of the Deputy President
2 Males

3. Estimated Cost: \$30,000.
Note: Participants in this program will audit the university semester course work. Tuition has been waived.
4. Status: Both participants have completed their US training and are back in South Africa as of December 1998.

The SEGA/MESP team will contact all short-term trainees to obtain report on their training activities. Additional short-term training activities that occurred during this quarter include the following in-country activities:

STT 004 Intergovernmental Financial Relations SEGA Task Order #3.4

1. Program Title, Training Provider, Location, and Dates
Intergovernmental Financial Relations, University of Cape Town
School of Business; Cape Town, November 14-28, 1998
2. Name, Affiliation, Number of Trainees
Ten staff members of the Department of Finance Budget Office participated in this program. A complete list is included in the Action Request associated with this activity

7 Males/3 Females
3. Estimated Cost: \$38,880
4. Status: Program completed November 1998.

STT 005 World Trade Organization (WTO) Regional Workshop on WTO Agreements for the Department of Trade & Industry—Task Order #14

1. Program Title, Training Provider, Location, and Dates
Regional Workshop on WTO Agreements, Nathan Associates WTO Consultants, Justice College, Pretoria, December 15, 17, and 18, 1998
2. Name, Affiliation, Number of Trainees
Approximately 60 staff members of the Department of Trade and Industry attended this three-day workshop. Additionally, representatives of the Department of Agriculture, the US Embassy Economic unit, and USAID attended.
3. Estimated Cost: \$ 15,000

Note: The costs for this activity was shared between DTI and SEGA/MESP. SEGA/MESP covered participant local expenses as

well as workshop expenses. A second workshop is envisaged in February/March 1999 for which SEGA/MESP would cover all costs.

4. Status: Program completed December 1998.

Also during this reporting period, a meeting was held with the Department of Finance Budget office to discuss their anticipated short-term training needs. Several programs were discussed that included attendance for three staff members to the 1999 World Infrastructure Forum in Singapore scheduled to take place in March 1999. Initial planning began for participants to attend this event; however, SEGA/MESP was informed that the Forum was cancelled. Other short-term US training activities for this office will be finalized during the next few months—some will occur in the next quarter while SEGA/MESP is still obtaining information about other programs requested.

A meeting was also conducted with representatives of SEGA/MESP and the Department of Finance regarding their short-term training needs in the area of Public-Private Partnerships (PPPs). Several consultants were contacted to carry out the needs assessment and subsequent training. The Department of Finance selected the consulting firm, ISANDLA to carry out this work early in the next quarter.

TECHNICAL ASSISTANCE-RESEARCH FOR GOVERNMENT DEPARTMENTS

1. Approved Research Project Proposals

Department of Environmental Affairs and Tourism

DEAT has adopted the position that environmental resource economics (ERE) should be considered as a means of managing the environment in appropriate circumstances. During the quarter, five projects aimed at implementing ERE were initiated following their approval by the SEGA Operations Committee. Progress on the projects has been as follows:

- *SEGA 6.1 ERE Awareness Workshop.* The workshop was planned for presentation in November and all arrangements were made accordingly. However the provincial departments, due to end-year budget limitations, placed a moratorium on the attendance by their environmental management personnel of all meetings during the last two months of the year. As the provinces were viewed as extremely important participants in the workshop, the workshop was postponed until February 1999. (Progress Ranking 2)
- *SEGA 6.2 ERE Training Course.* This will only be considered after the ERE Awareness Workshop. (Progress Ranking 3)
- *SEGA 6.3 Economy/Environment Model.* Several discussions between DEAT and Nathan Associates with a view to compiling a Scope of Work for the development of suitable models indicated that, while DEAT would benefit in a general way from the type of focused dialogue that a model could generate, there is as yet no clear understanding of the specific issues that a model should be able to address. Consequently it has been decided to launch this project through the appointment

of a consultant early in 1999 to identify and document these issues and determine the type of model(s) that could contribute useful insights. (Progress Ranking 3)

- *SEGA 6.4 & 6.5 Environmental Resource Reconstruction: Lubisi and Matatiele.* Consulting teams for these two projects were appointed during the quarter and completed initial scoping of the issues in their respective geographic regions. It soon became apparent that there are a number of reasons to believe that the economic development work being undertaken in Lubisi by the CSIR will not be sustainable. A hypothesis underpinning the SEGA projects in Lubisi and Matatiele is that rural environmental resource reconstruction depends on economic development, which in turn requires the presence of certain favorable preconditions. These do not seem to be present in sufficient strength in Lubisi. There are significant social and political tensions in the local community, and the technological platform that the CSIR is proposing to use as a trigger for development appears to be neither robust nor well understood by the community. By contrast, a number of positive preconditions do exist in Matatiele: there is cohesion within the community, a number of micro enterprises have resulted from a previous cash injection and there is substantial ecotourist potential. As a result it has been decided to focus the second phase of analysis primarily on Matatiele during the early part of 1999, with financial resources being allocated accordingly. Already much has been learnt about the potential for environmental resource reconstruction in areas with differing physical, political and social preconditions and an analytical structure for the more generalized evaluation of such areas is emerging. (Progress Ranking 5)

1.2 Department of Finance

Discussions are being carried out with the different groups in charge of the five sub-components approved by the SEGA Operations Committee.

SEGA 3.5 The Katz Commission Tax Seminar Sub-component: Nathan Associates (USA) is compiling a list of potential participants. The Seminar will be held during one week around June 22nd subject to ministerial approval. (Progress Ranking 2)

SEGA 3.4 The Intergovernmental Fiscal Relations Sub-component: A training seminar was held in Cape Town (see above). Three workshops on fiscal resources of provinces are being planned for the first half of 1999. Progress on setting up these workshops has, however, been slow. (Progress Ranking 3)

SEGA 3.3 The Public Private Partnership Sub-component: In consultation with Nathan Associates and USAID, a revised terms of reference was prepared and submitted to the SEGA Operations Committee. A team is being put together for this activity and should begin its work late January, 1999. (Progress Ranking 4)

SEGA 3.1 The Infrastructure MTEF Sub-component: A meeting will be held in early January to begin building the team of consultants. (Progress Ranking 2)

SEGA 3.2 The Integrated Justice System Sub-component: The DoF has approved the consultant who will be carrying out this activity. The consultant should begin his work late February 1999. (Progress Ranking 3)

SEGA 19.1 Support to Macroeconomic Unit's Research Program: Discussions for implementation will begin in January (Progress Ranking 3)

SEGA 19.2 Support to Public Enterprises' Pricing and Regulation Strategy: Discussions for implementation will begin in January. (Progress Ranking 3)

1.3 Department of Trade and Industry

SEGA 4.1 The Competitiveness Sub-component: The official in charge has not been able to begin work on this sub-component. (Progress Ranking 1)

SEGA 4.2 The Venture Capital sub-component: Nathan Associates (USA) compiled a list of potential consultants for the best practices activity. The Nathan Associates local subcontractor Ernst and Young prepared a proposal which would include both the national component of this study and possibly the international best practices component as well. DTI, however, has decided to build a team based on individual consultants. It will interview its first candidate late January, 1999. (Progress Indicator 2)

SEGA 14 The World Trade Organization Training Seminar: The first WTO seminar took place in the second week of December with more than double the intended number of participants (see short-term training above). The second of two seminars will take place in February or March, 1999. (Progress Ranking 5)

1.4 Department of Labor

SEGA 5 Monthly Seminar Series: The DoFL has yet to inform Nathan Associates of possible international participants in this series. It has informed Nathan however that it will be making such a request during 1999. (Progress Ranking 2)

SEGA 9 Support for the Employment Equity Act: This project, approved on December 2nd has already begun implementation. (Progress Ranking 5)

2. Expected Research Project Proposals

Demand for SEGA support remains high although funds are now tight. Nathan Associates met with the following Government Departments during the quarter in order to discuss SEGA support and commence discussion of appropriate projects:

- Department of Water Affairs and Forestry
- Department of Arts, Culture, Science and Technology
- Department of Public Works
- Department of Public Service and Administration
- Office of the Deputy-President.

UNIVERSITY OF THE WESTERN CAPE

Progress towards establishing a center of excellence in economics at the University has been slow but positive during this quarter. Problems on campus, while having no direct connection with the establishment of the center, nevertheless indirectly delayed it by occupying the attention of senior officials of the University. Despite this, officials who indicated their strong support for the center include those who currently

hold the positions of Rector, Vice-Rector, Dean of Research and Dean of the Faculty of Economic and Management Sciences. Agreement has been reached that the post of Director of the center of excellence will be competed widely amongst candidates not currently employed by the University as well as University staff.

The Department of Economics has made progress with curriculum development as well as with the compilation of a work plan. The latter has progressed in particular as a result of the implementation of a monitoring and evaluation system that will be applied to all SEGA projects. This system requires the center, as presently represented by the staff of the Economics Department at the University, to commit itself to achieving certain milestones along a range of attributes. As the attributes and milestones have evolved and been agreed through discussion within the Department, so earlier efforts made last quarter to draw up a work plan have found increasingly concrete expression in the form of an explicit contract between the center and the SEGA project. This contract makes it clear that in order to justify continued financial support from SEGA the center has to set itself performance targets that are both ambitious and achievable: ambitious because they must give tangible substance to the elusive concept of a center “of excellence”, and achievable because they will be the yardstick by which the center’s success or failure will be judged in the months and years to come.

During this quarter the center also took the first steps towards setting up a specialist virtual library, which is viewed as promising to be one of its key assets. Mr. Patrice Wadja from Howard University completed a 2.5 months consultancy at the Department of Economics in which he presented a series of seminars for graduate students on quantitative methods and economics on the internet. He also was instrumental in establishing an effective student computer laboratory.

IN-COUNTRY TRAINING

In terms of the SEGA In-country Training Strategy that has been accepted by the SEGA Operations Committee, the first activity to be launched is a series of ten economic literacy workshops (ELWs). During this quarter the Bureau of Economic Policy and Analysis (BEPA) at Pretoria University presented the first of these workshops.

Participants from the Department of Labor who attended the workshop, responded positively. The workshop also received a positive review from a consultant training specialist. In the light of this feedback, it has been decided to continue with the workshop series with only minor changes to the format of presentation. Initial arrangements have been made for the second workshop, which will be held in early-February 1999 and will also be attended by personnel from the national Department of Labor.

As a second element providing more advanced economics education, the SEGA In-Country Training Strategy proposes to enhance a Certificate course, which is currently provided by the University of South Africa, in ways that would make it attractive to the target audience for which SEGA training is intended. Discussions were held with presenters of the course during this quarter to consider how this could be done. A proposal for enhancement primarily through the provision of increased

contact between students and lecturers has been compiled and will be submitted to the MESP Operations Committee early in 1999 for consideration.

GRANTS

1. NGO Consultation

The last NGO consultative meeting with NGOs took place on the 15 October 1998 in Durban. Some of the issues raised at the Durban conference on research were:

- a) An announcement by the workshop organizers that a research register was to be compiled was met with some skepticism. It was pointed out that similar initiatives had been attempted in the past but had obtained poor responses and had failed to keep the records up to date. The suggestion regarding the establishment of a web-site appeared to be a more promising direction in which to proceed.
- b) While the focus of research tended to be on policy-making, the implementation aspect was almost totally ignored yet the continued evaluation and amendment of policies was just as important. In this regard, the degree to which researchers felt able openly to criticize policy was discussed. It was felt that while access to data was easier and the policy debate more open than prior to 1994, some researchers remained wary of being too critical for fear of being excluded from government contracts.
- c) There was a need for a greater sense of urgency in economic policy-making in view of the high rate of unemployment and the growing sense of hopelessness in society.
- d) Research into labor markets was identified as a major area of importance. No matter how coherent macroeconomic policy was, it would not be able to achieve its goals if there were deficiencies in the labor market as was the position at present. Data on the labor market were poor. Another field of potential research importance was the monitoring of the effects of trade liberalization on the economy.
- e) The interest of donor agencies in socio-economic research on households was queried. In this regard, donors tended to have their own areas of interest into which researchers had to plug. The scope for researchers defining their own fields was discussed.
- f) Dissemination of research results was obviously important. The private sector was better as this than the government sector, but the position varied among government departments.

A major concern was raised with regard to funding university based research institutions. USAID will investigate the options for funding these research institutions.

2. The Request For Applications (RFA)

During this quarter we focussed primary on the publication and processing of the RFA No. JCNAT-98-954-01.

There were continuous discussions between the SEGA Team and USAID on the RFA for Economic think tanks. Most of the outstanding issues were resolved and the RFA

was published on the intended date – 27 November 1998. The RFA requested applications for Grants from Non-Governmental Organizations (NGOs) that work to formulate, evaluate and implement economic policy.

There were 90 responses to the advert requesting applications. All requests were responded to. The closing date to obtain a copy of the Request For Applications was December 15, 1998. Three requests were received after the closing date. In order to ensure a completely transparent competitive process, these requests were rejected.

The closing date for questions relating to the RFA is January 6, 1999. Responses to these questions will be sent by January 15, 1999. The next phase is receipt, selection and awards to successful candidates.

3. Monitoring, Evaluation And Reporting

SEGA Grants portfolio worked closely with PACT in reviewing and developing monitoring and evaluation instruments which could be used by economic think tanks. The NGOs have the option of using the instruments developed by PACT. Both AIPA and EPRI have indicated an interest on working with PACT on issues of monitoring, evaluation and reporting.

4. The Joint Center For Political And Economic Studies/South Africa (JCPES/SA) – Annual Strategic Meeting

The JCPES/SA held its annual review on the 8 –9 December 1998. The purpose of the annual strategic meeting of the JCPES/SA was to review past activities, align current programs and plan for future activities. There was a special focus on the SEGA component at several levels which include the following –

- (a) Presentation on progress of activities
- (b) Identification of obstacles that could hinder the process
- (c) Streamlining policies and procedures
- (d) Clarifying roles and responsibilities
- (e) Disbursing of funds – Grantees:
 - Vouchers
 - Expense Reports
 - Budget analysis
 - Obligations
 - Mortgages
 - Pipelines
 - Accruals
 - Administrative reviews
- (f) The relationship between JCPES/South Africa – JCPES/Washington – Nathan Associates
- (g) Approvals – response time JC/Washington
- (h) Cash flow analysis
- (i) Possible expansion of the program – USAID requirements
- (j) Monitoring and Evaluation & Reporting
- (k) Integration of the SEGA Project into other Joint Center activities. Since the grant –making activities under the SEGA Project formed part of the Joint Center, the

view was that the project should be a more integral part of the Joint Center's portfolio.

The discussions with regard to the SEGA activities were much more generic since most of the decisions concerning the SEGA activities require input or decisions from the Washington office. Some of these issues will be discussed at the Joint Center/Washington retreat.

5. Status Report On Existing Grant Activities

EPRI--EPRI has started recruiting staff; consultants and research students for the project. They have also bought the necessary equipment. Program implementation will begin in January 1999.

AIPA--AIPA has convened 2-day workshops in the following areas during the month of November 1998:

- Manufacturing Sector – 11 – 12 November 1998
- Labor Market and Skills Development – 17 – 18 November 1998
- Agricultural Policy – 17 – 18 November 1998

The recommendations and discussions of these workshops will be incorporated into AIPA's business/work-plan that will be submitted to the SEGA Team in January 1999.

AIPA launched two publications in conjunction with the Ministry of Agriculture on November 29, 1998 –

- The agricultural Democratization of South Africa
- Agricultural Policy Forum in South Africa

Under its Post-Graduate Bursaries for Research in Economics, AIPA announced the establishment of ten annual scholarships for black South African Post-Graduate Students in Economics.

GENERAL ADMINISTRATION

During this quarter of the SEGA/MESP project, the final administrative staff member—the second Driver/Expediter—joined the project team.

Any outstanding office furniture and additional equipment and supplies were delivered during this period.

Towards the end of this reporting period, the Project Management Specialist began the search for a full-time Receptionist/Clerk Typist to assist in the office. The initial decision was to have one of the three specific Administrative Assistants also would cover the telephones and receive visitors, however, that was not working out given the tasks and workloads of each of them.

During this quarter, Nathan Associates HQ conducted a two-week management oversight visit to the SEGA/MESP project office and met with some of the local subcontractors.

There is a perceived need to expand our office to meet increased future expansion in activities. These requirements will be discussed at our SEGA Operations Committee meeting of January 13th and our combined Policy Forum, SEGA and MESP Operations Committees and Extended USAID/SO4 on meeting January 20th.